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## UNDERWRITING

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### UNDERWRITERS

JS Cresvale  
Celestial Capital Limited  
DBS Asia Capital Limited  
Kim Eng Securities (Hong Kong) Limited  
MasterLink Securities (H.K.) Corp. Ltd.  
Tai Fook Securities Company Limited  
Worldsec Corporate Finance Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

The Company has entered into the Underwriting Agreement with the executive Directors, the Initial Management Shareholders, the Significant Shareholder, JS Cresvale (for itself and on behalf of the Underwriters) and China Everbright.

Pursuant to the Underwriting Agreement (being material contract (v) referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business” in Appendix V to this prospectus), the Company is initially offering by way of Placing the Placing Shares at the Offer Price for subscription on and subject to the terms and conditions set out in the Underwriting Agreement and this prospectus and the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as mentioned herein on or before the day which is 30 days from the date of the Prospectus. The Underwriters have agreed to procure places to subscribe for or purchase, or failing which themselves to subscribe for or purchase, the Placing Shares.

#### Grounds for termination

The obligations of the Underwriters to procure places to subscribe for or purchase, or failing which themselves to subscribe for or purchase, the Placing Shares are subject to termination if certain events, including force majeure, occur at any time prior to 8:00 a.m. (Hong Kong time) on 6 February 2001. JS Cresvale (for itself and on behalf of the Underwriters) may terminate the arrangements set out in the Underwriting Agreement, after consultation with China Everbright and the Company, as JS Cresvale in its sole discretion sees fit, by notice in writing given to the Company by JS Cresvale (for itself and on behalf of the Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on 6 February 2001, if:

- (i) there shall develop, occur or come into force:—
  - (a) any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof or other occurrence of any nature whatsoever which would in the reasonable opinion of JS Cresvale materially and adversely affect the business or financial condition or prospects of the Company or the Group taken as a whole; or
  - (b) any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in

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relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic, or other nature, whether or not ejusden generis with any of the foregoing, resulting in a material adverse change in or which might reasonably be expected to result in a material adverse change in political or economic conditions in Hong Kong, the Cayman Islands, the BVI and the PRC; or

- (c) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (d) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands, the BVI or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or the Group taken as a whole; or
- (e) a change or deterioration in the condition of international securities markets; or
- (f) a significant adverse change in the financial, political, economic, military, industrial, fiscal or regulatory condition or stock market conditions or sentiments in the PRC and Hong Kong; or
- (g) any event of force majeure affecting Hong Kong and the PRC including, without limitation, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out or any escalation of hostilities involving Hong Kong, the PRC or any other relevant jurisdiction; or
- (h) an imposition of economic sanctions or withdrawal of trading privileges, in whatever form, by Hong Kong,

and in each case in the sole opinion of JS Cresvale (for itself and on behalf of the Underwriters), the business, financial or trading position of the Group taken as a whole would be materially and adversely affected thereby, or it would be inexpedient or inadvisable to proceed with the Placing as a result thereof.

- (ii) without prejudice to the foregoing, if any time prior to 8:00 a.m. (Hong Kong time) on 6 February 2001:—
  - (a) any of the Company, the Initial Management Shareholders, the Significant Shareholder or the executive Directors of the Company commits any material breach of, or omits to observe in any material respect, any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or
  - (b) there comes to the notice of any of JS Cresvale or the Underwriters that any of the warranties contained in the Underwriting Agreement is untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by JS Cresvale (for itself and on behalf of the Underwriters) in its reasonable opinion to be material in the context of the Placing;

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- (iii) there is any matter, which, has arisen and has not been disclosed in this prospectus, that constitutes a material omission therefrom in the context of the Placing; or
- (iv) there is any material statement contained in this prospectus which is discovered to be or becomes untrue, incorrect or misleading in any material respect in the context of the Placing; or
- (v) there comes to the notice of any of JS Cresvale and the Underwriters any matter or event which, in the reasonable opinion of JS Cresvale (for itself and on behalf of the Underwriters) would lead to a material adverse change in the business or in the financial or trading position or prospects of the Group taken as a whole which could not reasonably be expected to be rectified by the Company within a reasonable period of time.

### **Undertakings**

Each of the Initial Management Shareholders and the Significant Shareholder has given non-disposal undertakings to the Company, JS Cresvale (for and on behalf of the Underwriters), China Everbright and the Stock Exchange, details of which are set out in the section headed “Substantial, initial management and significant shareholders” of this prospectus.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 4 per cent. of the Offer Price of all the Placing Shares, out of which any sub-underwriting commission will be paid. China Everbright and JS Cresvale will receive a financial advisory and documentation fee relating to the Placing. The underwriting commission, financial advisory and documentation fee, GEM listing fees, transaction levy, legal and other professional fees, printing and other expenses relating to the Placing are estimated to be approximately \$12.8 million in aggregate based on the maximum Offer Price of HK\$0.92 per Placing Share. All such expenses as mentioned above are payable by the Company.

### **Sponsor’s agreement**

Under a sponsor’s agreement dated 30 January 2001 and made between China Everbright and the Company (the “Sponsor Agreement”), the Company appoints China Everbright and China Everbright agrees to act as sponsor to the Company for the purpose of the GEM Listing Rules for a fee for a period covering the remainder of the financial year during which the listing of Shares on the GEM occurs and the two financial years thereafter ending 30 June 2003 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

### **Sponsor’s interests in the Company**

The Sponsor Agreement was entered into by China Everbright and the Company whereby the Company has appointed China Everbright to act as its sponsor for the purpose of the GEM Listing Rules pursuant to which China Everbright will receive a fee.

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Save as provided for under the Underwriting Agreement, neither China Everbright nor its associates have or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of China Everbright who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

Neither China Everbright nor its associates has accrued any material benefit as a result of the successful outcome of the Placing, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of a financial advisory and documentation fee by China Everbright pursuant to the Underwriting Agreement.

No director or employee of China Everbright has a directorship in the Company or any other company in the Group.

### **Underwriters' interests in the Company**

Save as provided for under the Underwriting Agreement and disclosed otherwise in this prospectus, none of the Underwriters has any shareholding interests in the Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.

### **Over-allotment Option**

The Company has granted JS Cresvale the Over-allotment Option, exercisable solely by JS Cresvale on behalf of the Underwriters within 28 days after the date of this prospectus, to require the Company to allot and issue up to an aggregate of 10,500,000 additional Shares, which is equivalent to 15 per cent. of the Placing Shares, at the Offer Price solely to cover over-allocations in the Placing, if any.